

**OIL AND GAS DOCKET NO. 04-0232668**

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**THE APPLICATION OF SAMSON LONE STAR LP TO CONSOLIDATE VARIOUS RINCON FIELDS INTO A NEW FIELD TO BE KNOWN AS THE RINCON (VICKSBURG CONS.) FIELD AND TO ADOPT OPERATING RULES AND REGULATIONS FOR THE RINCON (VICKSBURG CONS.) FIELD, STARR COUNTY, TEXAS**

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**Heard by:** Margaret Allen, Technical Hearings Examiner

**Procedural history**

Application received: October 2, 2002

Hearing held: October 28, 2002

**Appearances**

Mickey Olmstead  
James Clark

Representing  
Samson Lone Star LP

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Samson Lone Star LP is seeking to consolidate 36 Rincon Vicksburg fields into a new field to be known as the Rincon (Vicksburg Cons.) Field. The fields are listed in Finding of Fact 2. The proposed operating rules for the Rincon (Vicksburg Cons.) Field are summarized as follows:

1. Designated interval between 4428' and 8191' as shown on the log of the Continental Oil Company M.M. Garcia Lease Well No. 4A;
2. 467' minimum lease-line spacing and 933' between-well spacing; and
3. allocation based 5% per well and 95% on deliverability.

The applicant requested that no density rule be adopted, that the consolidated field be classified as a non-associated gas field, and that the allocation formula of the consolidated field be suspended.

**DISCUSSION OF THE EVIDENCE**

There are 36 fields in the proposed consolidation and Samson Lone Star has wells in 26 of them. The applicant has 38 of the total 91 wells on the proration schedules of these 36 fields. Fifteen of the fields also have wells belonging to at least one of the eight other operators. Five of the fields have no wells on the proration schedule and several others have only inactive wells listed. The cumulative production from all of the fields is 114 BCF and current monthly production from the active wells is 271 MMCF.

There have been three oil wells completed in the fields being consolidated but all have been reclassified as gas wells. The Frost, W. (Orive Sand), one of the two associated fields, has had its

allocation formula suspended. The allowables in the other associated field, the Frost, North (Vicksburg 7100), are subject to Statewide Rule 49(b). This field has two inactive gas wells and two active wells operated by Samson Lone Star. Both of the active wells have deliverabilities less than the top 49(b) allowable of 350 MCF/D.

Only one field has special field rules, the Frost, North (Wood 2) Field. These rules were adopted January 7, 1991, under Docket No. 4-95,260, and specify 467-1200' spacing and 160 acre density. The allocation formula is suspended in this field as it is in most of the fields.

The consolidated field interval comprises various lower Vicksburg sands that are cut by many faults. Almost all of the wells in the fields to be consolidated are nearing depletion. Further development is unlikely unless marginal sandstones can be consolidated. The fluids in the various sands are similar which will limit damage from any cross-flow that occurred. Twenty-two North Rincon Vicksburg fields have already been consolidated into a single field, the Rincon, N. (Vicksburg Cons.) Field, in 1999.

Samson Lone Star has included all of the Vicksburg fields ever producing on its leases and in the surrounding Rincon and Frost areas. The applicant intends to drill new wells and add perforations to its existing wells if this application is approved. The proposed designated interval includes all of the Vicksburg sandstones and extends from 4428' to 8191' in the Continental Oil Company M.M. Garcia Lease Well No. 4A.

Because of the multiple reservoirs included within the proposed designated interval, a two-factor allocation formula is necessary. One based 5% per well and 95% on deliverability is close to the Statewide Rules, and will satisfy statutory requirements. Most of the other consolidated Vicksburg fields in the area have 467-933' well spacing and allocation based 95% on deliverability and 5% per well.

Samson Lone Star has also requested that the gas allocation formula for the consolidated field be suspended and suspension of the formula was included in the notice of hearing. At present, six of the thirty-six fields to be consolidated have not had their allocation formulas suspended. The applicant sent Forms AOF-2 to all operators of wells in these fields.

Totalinaelf operates three wells in two of these fields, the Frost, North (Orive) and (Vicksburg 7100) Fields. It did not return a Form AOF-2 for its wells but none of them is now a producing well. D.A. Crowe & Associates, Inc., also did not return a Form AOF-2 but its well in the Rincon (A-5) Field is inactive. Conoco, Inc., has a well in the Rincon (Vicksburg 5860) Field and did return a Form AOF-2. Samson Lone Star is the only other operator in these fields.

The applicant does not operate a well in the Rincon (Vicksburg 7180) Field nor the Rincon (Vicksburg 7800) Field. Forms AOF-2 were received from all operators in the Rincon (Vicksburg 7800) Field. Neither operator of the two active wells in the Rincon (Vicksburg 7180) Field returned a Form AOF-2, however these wells are not subject to proration. During September, 2002, Ceniza Petroleum's one well produced 412 MCF while Pyle Petroleum's only well produced 776 MCF.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all operators of wells in the fields to be consolidated on October 11, 2002.

2. The following fields can be produced economically, and without causing waste, if consolidated into a single field:

<b><u>FIELD NAME</u></b>	<b><u>FIELD NO.</u></b>
Borosa, S. (Vicksburg 6)	10716800
Frost (Rincon 6100)	33104518
Frost (Vicksburg 6650)	33104568
Frost, North (6600)	33110990
Frost, North (Orive)	33110200
Frost, North (Rincon)	33110275
Frost, North (Vicksburg 7100)	33110300
Frost, North (Wood)	33110900
Frost, North (Wood 2)	33110910
Frost, North (Wood FB-3)	33110980
Frost, West (A-9)	33111109
Frost, West (A-10)	33111110
Frost, W. (Orive Sand)	33111600
Frost, West (Vx-Wood)	33111850
Frost, West (6520)	33111890
Frost, West (6600)	33111900
Frost, West (6900)	33111910
Rincon (A-5)	76721063
Rincon (A-6)	76721070
Rincon (Vicksburg 5300)	76721777
Rincon (Vicksburg 5680)	76721798
Rincon (Vicksburg 5860)	76721811
Rincon (Vicksburg 5900)	76721819
Rincon (Vicksburg 5860)	76721811
Rincon (Vicksburg 5900)	76721819
Rincon (Vicksburg 6000)	76721840
<b><u>FIELD NAME</u></b>	<b><u>FIELD NO.</u></b>
Rincon (Vicksburg 6100)	76721851
Rincon (Vicksburg 6500)	76721870
Rincon (Vicksburg 6550)	76721872
Rincon (Vicksburg 6580)	76721875
Rincon (Vicksburg 6600)	76721877
Rincon (Vicksburg 6775)	76721881
Rincon (Vicksburg 6800)	76721882
Rincon (Vicksburg 6900)	76721903
Rincon (Vicksburg 7060)	76721909
Rincon (Vicksburg 7180)	76721913
Rincon (Vicksburg 7800)	76721952
Urschel (Vicksburg I)	92785420
All Wildcat intervals between the above listed fields.	

3. The applicant has 38 of the total 91 wells on the proration schedules of the 36 fields.
4. There have been three oil wells completed in the fields being consolidated but all have been reclassified as gas wells.

5. The cumulative production from all of the fields is 114 BCF and current monthly production from the active wells is 271 MMCF.
6. Only the Frost, North (Wood 2) Field has special field rules which specify 467-1200' spacing and 160 acre density.
7. Almost all of the wells in the fields to be consolidated are nearing depletion and further development is unlikely unless marginal sandstones can be consolidated.
8. The fluids in the various sands are similar which will limit damage from any cross-flow that occurred.
9. Downhole commingling production from various sandstones in a single wellbore will lower the economic limit of each completion and allow the recovery of more reserves.
10. The proposed designated interval includes all of the Vicksburg sandstones and extends from 4428' to 8191' in the Continental Oil Company M.M. Garcia Lease Well No. 4A.
11. As the designated interval includes multiple, stratigraphic reservoirs within the lower Vicksburg, a two factor allocation is required for statutory reasons.
12. Gas allocation based 5% per well and 95% on deliverability will protect correlative rights and will satisfy statutory requirements.
13. Only six of the thirty-six fields being consolidated have not had their allocation formulas suspended.
14. There is a market for all of the gas produced in the six fields that still have an allocation formula in effect, though not all of the operators in these fields returned Forms AOF-2.
  - a. All of the operators in the Rincon (Vicksburg 7800) Field returned Forms AOF-2, indicating 100% market demand.
  - b. Two of the operators who did not return Forms AOF-2 have only inactive wells in those six fields.
  - c. Neither operator of the two active wells in the Rincon (Vicksburg 7180) Field returned a Form AOF-2, however their wells are not subject to proration since the deliverabilities are less than 100 MCF/D.

### **CONCLUSIONS OF LAW**

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. Consolidation of the requested fields will prevent waste and protect correlative rights, while encouraging conservation.
4. The requested field rules for the resultant field, the Rincon (Vicksburg Cons.) Field, will prevent

waste, protect correlative rights within the field, and satisfy statutory requirements.

5. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the requested fields be consolidated into a new field to be known as the Rincon (Vicksburg Cons.) Field. The field rules proposed for the resultant Rincon (Vicksburg Cons.) Field should be adopted, as per the attached order.

Respectfully submitted,

Margaret Allen  
Technical Hearings Examiner